

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 OIC-04

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FM USMISSION GENEVA

TO SECSTATE WASHDC 881

INFO AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: ETRD, GATT, SP

SUBJ: BALANCE OF PAYMENTS REPORT ON SPAIN

1. AT JULY 30 GATT COUNCIL, DECISION ON BOP CONSULTATION WITH SPAIN (BOP/R/68) DEFERRED TO NEXT COUNCIL MEETING (PROBABLY OCT.) AFTER SPANISH REP BITTERLY CRITICIZED "RADICAL" IMF FINDING AS WELL AS BOP COMMITTEE CONCLUSIONS THAT SPAIN NO LONGER HAS ANY BOP REASON FOR PRESENT RESTRICTIONS. SPANISH REP MADE LONG STATEMENT ABOUT WEAKNESS AND VULNERABILITY OF SPANISH B/P, EMPHASIZING INTERNATIONAL MONETARY INSTABILITY (PLUS SEVERAL ACID COMMENTS ABOUT SPANISH SACRIFICES IN HAVING TO SELL LAND TO FOREIGNERS AND HAVING TO RELY ON WORKER REMITTANCES) IN WHAT AMOUNTED TO A WHOLESALE ATTACK ON TECHNICAL CALIBRE AND REASONABLENESS OF IMF FINDINGS.

2. REFLECTING OBVIOUS INTENSIVE PRIVATE LOBBYING, SPANISH-SPEAKING DELEGATIONS (URUGUAY, ARGENTINA)

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PLUS GREECE, PORTUGAL, ROMANIA, ZAIRE AND MALYASIA

PROMPTLY SUPPORTED DEFERRAL. US DEFENDED BOP COMMITTEE REPORT, DREW ATTENTION TO GATT ARTICLE XV:2 WHICH REQUIRES CPS TO ACCEPT IMF FINDINGS OF FACTS RE B/P; HOWEVER, WE RECOGNIZED SPAIN MIGHT NEED A CERTAIN PERIOD OF TIME TO CONSIDER ITS POLICY IN LIGHT IMF AND BOP COMMITTEE CONCLUSIONS (WITH IMPLICATION US THEREFORE WILLING DEFER QUESTION UNTIL NEXT COUNCIL). CANADA AND JAPAN SPOKE IN SIMILAR VEIN. CHAIR RULED MATTER POSTPONED.

3. GATT SECRETARIAT IS PRIVATELY QUITE ANGRY WITH WAY SPANISH DEL HANDLED THIS CASE: IT MISLED SEC BY TELLING THEM (AND REQUESTING SEC TELL US AND FEW OTHER MAJOR CPS WHICH THEY DID ONLY MOMENTS BEFORE COUNCIL MEETING) THAT SPAIN NEEDED DEFERRAL BECAUSE NEW GOVERNMENT TOOK OFFICE ONLY WEEK AGO; A DEFERRAL ON THIS BASIS WOULD HAVE BEEN ROUTINELY APPROVED; BUT DELAY ON GROUNDS SPAIN FINDS IMF AND BOP COMMITTEE CONCLUSIONS UNPALATABLE RAISES MORE SERIOUS QUESTION OF HOW GATT CAN INDUCE A CP TO BRING ITS POLICY INTO LINE WITH ITS INTERNATIONAL OBLIGATIONS IF CP IN DOCK DISAGREES.

BASSIN

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